

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2
3 A. My name is David R. Stearns and my business address is the Division of Public Utilities and
4 Carriers ("Division"), 89 Jefferson Boulevard, Warwick, RI 02888.
5

6 **Q. ARE YOU THE SAME DAVID R. STEARNS WHO, ON MARCH 5, 2003, FILED**
7 **DIRECT TESTIMONY AND SCHEDULES DS-1 AND DS-2 IN THIS DOCKET, RIPUC**
8 **NO. 3483?**
9

10 A. Yes, I am.
11

12 **Q. WHAT IS THE PURPOSE OF THIS SURREBUTTAL?**
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14 A. This surrebuttal is being filed in response to the rebuttal testimony and attachments filed on
15 March 20, 2003 by Walter E. Edge Jr., MBA CPA. Specifically, I will address the portion of Mr.
16 Edge's rebuttal presented on page 6, lines 14 through 25, and attachments WEE RB-1 and WEE
17 RB-2. This portion of Mr. Edge's testimony deals with the electric expense adjustment proposed
18 by me on behalf of the Division.
19

20 **Q. DO YOU AGREE WITH THE CONCEPT OF MR. EDGE'S PROPOSED**
21 **ADJUSTMENT, THAT BEING THE USE OF TWO YEARS OF DELIVERY COST**
22 **DATA IN DEVELOPING THE PRO FORMA EXPENSE?**
23

24 A. I agree that use of two years' historical data may be advantageous compared to using a single
25 year of historical data. In my original testimony I used delivery cost data from the year 2002.
26 Although Narragansett Electric is operating under a base rate freeze for the period May 2000
27 through December 2004, NBC's average cost per kWh may slightly fluctuate from year to year
28 due to variations in NBC's load factor, as NBC's major usage is demand-metered. Also,
29 Narragansett's transmission and transition charge may vary slightly from year to year. For these
30 reasons, I agree that looking at two years' worth of delivery cost data is reasonable.
31

1 **Q. DO YOU HAVE CONCERNS REGARDING THE CALCULATIONS PRESENTED ON**
2 **ATTACHMENTS WEE RB-1 AND/OR WEE RB-2?**

3
4 **A.** Yes, I do have one concern:
5 Attachment WEE RB-2 is titled Average (FY 2001 & FY 2002) Itemized Electricity Delivery
6 Cost by Location. It appears that the dollar amounts presented on WEE RB-2 are the result of
7 averaging two fiscal years' delivery costs (NBC has not provided information to substantiate the
8 amounts). The two-year average delivery cost is then divided by a single year's kWh use, that
9 being FY 2002, to derive NBC's average kWh cost for the two-year period. The result is less
10 accurate than one that uses two years of cost data and two years of usage data to derive the two-
11 year average delivery cost per kWh.
12

13 **Q. DO YOU HAVE AN ALTERNATIVE PROPOSAL?**

14
15 **A.** Yes, I propose the calculation set forth on the attached Schedule, titled DS S-1.
16

17 **Q. PLEASE EXPLAIN SCHEDULE DS S-1.**

18
19 **A.** The schedule is comprised of two sections:
20 • The upper section of Schedule DS S-1, lines 1 through 5, is titled Calculation of 2-year average
21 \$/kWh. This is my calculation of NBC's two-year (FY 2001 and FY 2002) average electricity
22 cost by location. The following method was employed:
23 Using the two-year average delivery cost presented on WEE RB-2 and the actual 2002 delivery
24 cost previously supplied, I was able to determine the delivery cost by location for fiscal year
25 2001 (Column B). Dividing these dollar amounts by 2001 kWh used yields the average per-kWh
26 delivery cost by location for 2001 (Column D). Likewise, dividing FY 2002 delivery cost by FY
27 2002 kWh use, I determined the average FY 2002 delivery cost per kWh (Column G). I then
28 averaged the delivery costs per kWh for these two years. The results are shown in Column H.
29 • The lower section of the schedule, lines 6 through 13, is titled Calculation of Rate Year
30 Adjustment. Rate year forecast kWh use (Column B) is multiplied by the two-year average
31 \$/kWh (Column C) described above to determine Rate Year delivery cost (Column D). To this I
32 add the rate year supply cost (\$0.04768 per kWh multiplied by rate year kWh in Column B).

1 The result is shown in Column F. Next I adjust the amounts in Column F for RI Gross Earnings
2 Tax. The total rate year cost, by location and in total, is presented in Column H. Comparing the
3 total rate year electricity cost on this schedule (line 10) with that presented on line 11 (from
4 Schedule EE-17 of NBC's original filing) shows a required decrease of \$193,086 to the rate year
5 adjustment originally proposed by NBC in this docket.
6

7 **Q. HOW DOES THIS COMPARE WITH THE ADJUSTMENT PREVIOUSLY PROPOSED**
8 **BY THE DIVISION?**
9

10 **A.** This is \$28,203 less than the adjustment of \$221,289 that I had proposed in my previously filed
11 testimony, and is the result of using the average of two years' electricity delivery costs in the
12 development of my pro forma electricity cost for NBC.
13

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**
15

16 **A.** Yes, it does.

STATE OF RI DIVISION OF PUBLIC UTILITIES AND CARRIERS
Narragansett Bay Commission - RIPUC Docket Number 3483
Calculation of Rate Year (F/Y 2004) Electricity Cost Using 2-Year Average

Calculation of 2-Year Average \$/kWh:

Line No.	Location <u>A</u>	<u>2001</u> Delivery Cost <u>B</u>	<u>2001</u> kWh Use <u>C</u>	<u>2001</u> Avg \$/kWh <u>D</u>	<u>2002</u> Delivery Cost <u>E</u>	<u>2002</u> kWh Use <u>F</u>	<u>2002</u> Avg \$/kWh <u>G</u>	2-Year Avg \$/kWh <u>H</u> (Col. D + G Divided by 2)
		((2-Yr. Avg x 2) Less 2002 Amt.)	Per NBC	(Col B / C)	Exhibit DS-2	Per NBC	(Col E / F)	
1	Fields Point	\$ 525,244	15,884,000	0.03307	\$ 465,300	15,566,800	0.02989	0.03148
2	Bucklin Point	262,867	7,801,200	0.03370	\$ 226,697	7,524,000	0.03013	0.03191
3	COB	1/ 29,124	727,691	1/ 0.04002	\$ 29,124	1/ 727,691	1/ 0.04002	0.04002
4	IM	1/ 41,036	795,202	1/ 0.05160	\$ 41,036	1/ 795,202	1/ 0.05160	0.05160
5	Totals	\$ 858,271	25,208,093	0.03405	\$ 762,157	24,613,693	0.03096	0.03251

1/ 2001 kWh use and cost assumed by NBC to be equal to 2002 kWh use.

Calculation of Rate Year Adjustment:

Line No.	Location <u>A</u>	<u>2004</u> kWh Use <u>B</u>	2-Year Avg \$/kWh <u>C</u> (Col H, Lines 1 - 5)	<u>2004</u> Delivery Cost <u>D</u>	<u>2004</u> Supply Cost <u>E</u>	Total Prior to RIGRT <u>F</u>	RIGRT <u>G</u>	Total Incl. RIGRT <u>H</u>
		(Per NBC)		(Col. B x C)	(Col. B x 0.04768)	(Col. D + E)	(Col. H - F)	(Col. F / .96)
6	Fields Point	15,795,333	0.03148	\$ 497,221	\$ 753,121	\$ 1,250,343	\$ 52,098	\$ 1,302,441
7	Bucklin Point	7,636,000	0.03191	243,686	364,084	607,770	25,324	633,094
8	COB	905,867	0.04002	36,255	43,192	79,447	3,310	82,757
9	IM	708,284	0.05160	36,551	33,771	70,322	2,930	73,252
10	Totals	25,045,484	0.03251	\$ 813,713	\$ 1,194,169	\$ 2,007,882	\$ 83,662	\$ 2,091,544
11						Rate Year Cost per NBC Schedule WEE-17		\$ 2,284,630
12						Adjustment to Schedule WEE-17 (Line 5 less Line 6)		\$ (193,086)
13								